

Message Text

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ACTION NEA-09

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TO SECSTATE WASHDC 8058

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

USMISSION GENEVA

UNCLAS NEW DELHI 4878

E.O. 11652: N/A

TAGS: ETRD IN

SUBJECT: SURPRISINGLY LIBERAL GOI IMPORT POLICY FOR IFY 1975/76

SUMMARY. THE GOI IMPORT POLICY FOR IFY 1975/76 ISSUED APRIL 7 SLIGHTLY LIBERALIZES INDIA'S NOTORIOUSLY COMPLICATED IMPORT REGIME. IT ALLOWS LARGER IMPORTS OF RAW MATERIALS AND COMPONENTS TO STIMULATE INDUSTRIAL ACTIVITY AND TO ENCOURAGE EXPORTS. THE OFFICIAL EXPLANATION IS THAT LIBERALIZATION WAS MADE POSSIBLE IN THE FACE OF RECORD IMPORTS BY A VERY LARGE EXPORT GROWTH LAST YEAR AND EXPECTATIONS OF SUBSTANTIAL CREDITS FROM OPEC COUNTRIES AND FROM IMF OIL FACILITY THIS YEAR. END SUMMARY.

1. THE INDIAN GOVERNMENT'S IMPORT POLICY FOR IFY (APRIL-MARCH) 1975/76 PRESENTED TO PARLIAMENT ON APRIL 7 PROVIDES FOR A SLIGHTLY LARGER FOREIGN EXCHANGE ALLOCATION FOR IMPORT
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OF INDUSTRIAL RAW MATERIALS AND COMPONENTS THAN IN THE

PREVIOUS YEAR. ALTHOUGH THE NEW POLICY REALLY DOES LITTLE MORE THAN HACK AWAY A LITTLE UNDERBRUSH IN THE JUNGLE OF IMPORT CONTROLS, THE TIMES ARE SUCH THAT A MORE STATUS-QUO POLICY MIGHT HAVE BEEN EXPECTED. THE GOI EXPLAINED THAT THE LIBERALIZATION WAS MADE POSSIBLE BY AN ENCOURAGING LARGE INDIAN EXPORT GROWTH LAST YEAR AND EXPECTATIONS OF SUBSTANTIAL OPEC AND IMF OIL FACILITY CREDITS THIS YEAR. THE POLICY SIMPLIFIES TO SOME EXTENT THE COMPLICATED AND TIME CONSUMING LICENSING PROCEDURES WHICH MAY RESULT IN LICENSES BEING GRANTED WITHIN A FEW WEEKS AFTER APPLICATION INSTEAD OF FROM THREE TO FOUR MONTHS UNDER PREVIOUS PROCEDURE. THE DECLARED OBJECTIVE OF THE MORE LIBERAL POLICY IS TO STIMULATE INDUSTRIAL GROWTH THROUGH GREATER CAPACITY UTILIZATION AND THE PROMOTION OF EXPORTS.

2. OVERALL IMPORT POLICY, HOWEVER, REMAINS RESTRICTIVE AND COVERS ALL IMPORTS EXCEPT OF FOOD, OIL AND FERTILIZERS WHICH ARE ON GOVERNMENT ACCOUNT AND THEREFORE ARE COVERED BY SEPARATE DECISIONS. SECRETARY Y.T. SHAH OF THE MINISTRY OF COMMERCE SAID THE IMPORT POLICY INVOLVES A FOREIGN EXCHANGE ALLOCATION OF RS. 17.0 BILLION (OR ABOUT DOLS 2.2 BILLION). THIS WELL UNDER HALF OF INDIA'S TOTAL ANNUAL IMPORTS WHICH COULD BE AS MUCH AS DOLS 6.0 BILLION BEFORE THE YEAR IS OVER.

3. COPIES OF THE IMPORT POLICY DOCUMENTS ARE BEING TRANSMITTED SEPARATELY UNDER CERP.

4. HIGHLIGHTS OF THE NEW POLICY ARE:

-- THE DOCTRINAIRE CONCEPT OF "PRIORITY" INDUSTRIES IS ABANDONED AND REPLACED BY A PRAGMATIC LIST OF "SELECT" INDUSTRIES FOR PRIORITY TREATMENT IN THE ISSUANCE OF IMPORT LICENSES. WHILE PRIORITY INDUSTRIES TENDED TO BECOME IDENTIFIED WITH DEVELOPMENT STRATEGY AND HENCE BECAME HIGHLY POLITICALLY CHARGED, THE SELECT DESIGNATION IS INTENDED TO BE SUSCEPTIBLE TO REVISION TO CHANGING NEED. THE "SELECT" GROUP INCLUDES IRON AND STEEL, NON-FERROUS METALS, MACHINERY, TELECOMMUNICATIONS EQUIPMENT, MACHINE TOOLS, SCIENTIFIC INSTRUMENTS, FERTILIZERS AND CHEMICALS. INDUSTRIAL

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UNITS PRODUCING LUXURY TYPE ITEMS SUCH AS TAPE RECORDERS, MAN-MADE FIBERS AND COSMETICS ARE EXCLUDED;

-- UNDER A NEW "AUTOMATIC" MECHANISM, IMPORT LICENSES FOR RAW MATERIALS AND COMPONENTS ARE TO BE ISSUED AUTOMATICALLY TO EXPORT AND OTHER INDUSTRIES BOTH WITHIN AND OUTSIDE THE "SELECT" GROUP. IN ADDITION, "SUPPLEMENTARY" LICENSES MAY BE GRANTED WHICH MEANS THAT THE

VALUE OF LICENSES ISSUED THIS YEAR WILL BE APPROXIMATELY 10 PERCENT HIGHER THAN LAST YEAR;

"" FOURTEEN PRODUCTS INCLUDING REFRACTORIES, CERTAIN FERRO-ALLOYS, ANTIMONY, COPPER PIPES AND TUBES, GRAPHITE, AND NICKEL ALLOY SHEETS ARE REMOVED FROM THE LIST OF "CANALIZED" IMPORTS MADE EXCLUSIVELY THROUGH GOVERNMENT CORPORATIONS. THIS IS ONLY AN ADMINISTRATIVE CHANGE. SUCH IMPORTS WERE VERY SMALL AND COULD NOT BE PURCHASED IN BULK. ONE ITEM, CARBARYL, IS ADDED TO THE LIST;

-- ABOUT FORTY TWO PRODUCT ITEMS ARE ADDED TO THE "BANNED" LIST IN VIEW OF GREATER AVAILABILITY FROM DOMESTIC SOURCES. THESE INCLUDE CERTAIN CATEGORIES OF FERROUS AND NON-FERROUS WIRES AND PIPES, BALL BEARINGS OF DIFFERENT SIZES AND CONVEYOR BELTS, CERTAIN CHEMICALS, AND MACHINE TOOLS;

-- FORTY FOUR ITEMS ARE TAKEN OFF THE "BANNED" LIST TO EASE SHORTAGE. THESE INCLUDE ZINC SHEETS, ALUMINUM WIRE, TUNGSTEN FILAMENT, SPECTRAL, AND CATHODE LAMPS, METALS WORKING TOOLS, CERTAIN CHEMICALS, AND PESTICIDES;

-- MANUFACTURER - EXPORTERS CAN PROVIDE A BOND AS SURETY FOR MEETING THEIR EXPORT OBLIGATION INSTEAD OF A BANK GUARANTEE REQUIRED PREVIOUSLY, AN IMPORTANT CONCESSION IN VIEW OF THE PRESENT SEVERE CREDIT SQUEEZE.

5. ON FOREIGN PRIVATE INVESTMENT, THE POLICY STATES FOREIGN COLLABORATION WILL BE MORE FREELY PERMITTED IN EXPORT-ORIENTED UNITS AND THAT EXISTING COLLABORATION AGREEMENTS WHICH PROVIDE FOR RESTRAINT ON EXPORT WILL BE SUITABLY REVISED AT TIME OF RENEWAL. PRESENT RESTRICTIONS ON FOREIGN INVESTMENT IN TRADING UNCLASSIFIED

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ACTIVITIES "MAY" BE RELAXED PROVIDED SUCH COLLABORATION IS INTENDED EXCLUSIVELY FOR EXPORT. FOREIGN COLLABORATION "MAY" ALSO BE CONSIDERED IN LOW PRIORITY SECTORS IF INTENDED FOR PROMOTING EXPORTS.SAXBE

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